

# **IOWA RACING AND GAMING COMMISSION**

## **MINUTES**

### **JULY 12, 2007**

The Iowa Racing & Gaming Commission (IRGC) met on Thursday, July 12, 2007 at Stoney Creek Inn & Conference Center, Johnston, Iowa. Commission members present were Kate Cutler, Chair; Gerry Bair, Vice Chair, and members Diane Hamilton, Greg Seyfer and Toni Urban.

Chair Cutler called the meeting to order at 8:30 AM, and moved to the approval of the agenda. Noting that agenda item 7J, a contract submitted by IOC Marquette, had been withdrawn, Chair Cutler requested a motion. Commissioner Seyfer moved to approve the agenda as amended. Commissioner Hamilton seconded the motion, which carried unanimously.

Chair Cutler moved to approval of the minutes from the previous Commission meeting. Commissioner Hamilton moved to approve the minutes from the June 7, 2007 Commission meeting as submitted. Commissioner Urban seconded the motion, which carried unanimously.

Chair Cutler called on Jack Ketterer, Administrator of IRGC, for announcements. Mr. Ketterer provided the following information regarding upcoming Commission meetings:

- August 30, 2007 Commission Meeting – Riverside Casino & Golf Resort, Riverside, IA (Submissions due by August 16, 2007)
- October 9, 2007 Commission Meeting – Isle of Capri Waterloo, Waterloo, IA (Submissions due by September 25, 2007)
- November 8, 2007 Commission Meeting – Stoney Creek Inn, Johnston, IA (Submissions due by October 25, 2007)
- December 2007 – No Meeting

Mr. Ketterer noted that the October meeting will be on a Tuesday instead of Thursday due to some scheduling conflicts.

Chair Cutler moved to the election of the Chair and Vice Chair for FY 08. Commissioner Hamilton nominated Kate Cutler and Gerry Bair to serve another term as Chair and Vice Chair respectively. Commissioner Urban seconded the motion, which carried unanimously. (See Order No. 07-57)

Chair Cutler called on Isle of Capri Casinos (IOC), Inc. regarding their request for an extension of time to file the annual financial audits with IRGC. Curt Beason, legal counsel, explained that the extension relates to the move of the IOC corporate

headquarters from Mississippi to Missouri, which precipitated a change of auditors within the auditing firm of Ernst & Young. When the new auditors reviewed the leases, particularly one for a convention center, it was determined that the convention center needed to be placed on the books. This change precipitated the need to refile several years of financial statements, and caused the company to be delisted on NASDAQ, a situation which has been corrected. Mr. Beason requested an additional 60 days to file the financial audits.

Commissioner Bair asked if IOC was facing the same issue in all the jurisdictions in which they operate. Mr. Beason indicated that was the case. Commissioner Bair asked if there were any issues in those jurisdictions. Mr. Beason answered in the negative.

Chair Cutler asked Mr. Beason if 60 days was a realistic time frame. Mr. Beason indicated it was; that Ernst & Young is in the process of refileing the reports, and hopes to get everything done this month. He indicated it may be necessary to seek a one-month extension.

Hearing no further comments, Chair Cutler requested a motion. Commissioner Seyfer moved to approve IOC's request for an additional 60 days to file the annual financial audits with IRGC. Commissioner Bair seconded the motion, which carried unanimously. (See Order No. 07-58)

Chair Cutler called on Wild Rose Entertainment, Inc. regarding their request for approval of their refinancing. Scott Ivers, Chief Financial Officer for Wild Rose, advised they are seeking to consolidate existing debt relating to Wild Rose Emmetsburg and Wild Rose Clinton, plus an additional \$10,000,000 for the expanded construction project for Wild Rose Clinton. The refinancing has been negotiated with a national bank, as well as an Iowa bank – the Dubuque Bank and Trust. By refinancing, Wild Rose will receive more favorable terms and interest rate.

Hearing no questions or comments for Mr. Ivers, Chair Cutler requested a motion. Commissioner Seyfer moved to approve Wild Rose Entertainment's request for approval to refinance existing debt. Commissioner Urban seconded the motion, which carried unanimously. (See Order No. 07-59)

Chair Cutler moved to the contract approval portion of the agenda and called on Mississippi Belle II (MBII). Tom Timmons, with Wild Rose Entertainment, requested permission to also address the contracts submitted by Wild Rose Emmetsburg. The Commission agreed. Mr. Timmons presented the following contracts for Commission approval:

- Mississippi Belle II
  - WMS Gaming, Inc. – Purchase of 14 Replacement Slot Machines
  - Bally Gaming, Inc. – Purchase of 19 Replacement Slot Machines

- IGT – Purchase of 12 Replacement Slot Machines
- Wild Rose Emmetsburg
  - Aristocrat Gaming – Purchase 6 Replacement Slot Machines
  - IGT – Purchase 6 Replacement Slot Machines
  - WMS Gaming – Purchase 6 Replacement Slot Machines

Hearing no discussion concerning the contracts, Chair Cutler requested a motion. Commissioner Hamilton moved to approve the contracts as submitted by MB II and Wild Rose Emmetsburg. Commissioner Seyfer seconded the motion, which carried unanimously. (See Order No. 07-60)

Chair Cutler called on Harrah's. Michael Silberling, General Manager, presented the following contracts for Commission approval:

- Otis Elevator Company – Elevator Maintenance and Repairs
- The Printer, Inc. – Printing of Direct Mail Material

Hearing no comments or questions, Chair Cutler requested a motion. Commissioner Hamilton moved to approve the contracts as submitted by Harrah's. Commissioner Urban seconded the motion, which carried unanimously. (See Order No. 07-61)

Chair Cutler called on IOC Bettendorf. Mo Hyder, General Manager, presented the following contracts for Commission approval:

- Tri City Equipment – Food & Beverage Equipment
- CDW Direct – Computer Supplies & Equipment
- Onity – Hotel Lock System

Hearing no comments or questions, Chair Cutler requested a motion. Commissioner Bair moved to approve the contracts as submitted by IOC Bettendorf. Commissioner Seyfer seconded the motion, which carried unanimously. (See Order No. 07-62)

Chair Cutler called on Diamond Jo. Natalie Schramm, Chief Financial Officer, presented a contract with Conlon Construction Company to be the general contractor for the new Diamond Jo Casino project.

Ms. Schramm advised that the closing on the land purchase from the Historical Society had taken place, and the contractor has started excavating the site. She noted the Vision Iowa documents have been negotiated and executed by all parties, and the Historical Society has received an \$8 million grant from the State of Iowa. Plans are progressing for a parking ramp with the City of Dubuque, with ground breaking to occur next month. She gave a projected opening date for the fall of 2009.

Commissioner Bair asked if the convention center is widely used. Ms. Schramm answered in the affirmative, noting that several large conventions do come in from out-of-state, especially through the summer months for weddings/receptions.

Hearing no further comments or questions, Chair Cutler requested a motion. Commissioner Urban moved to approve the contract as submitted. Commissioner Bair seconded the motion, which carried unanimously. (See Order No. 07-63).

Ms. Schramm presented the following contracts for Diamond Jo Worth (DJW):

- Henkel Construction Company – Construction Contract
- Menninga Electrical – Electrical Services for Casino
- YWS Architects – Architectural Services

Hearing no comments or questions concerning the contracts, Chair Cutler requested a motion. Commissioner Seyfer moved to approve the contracts as presented by DJW. Commissioner Hamilton seconded the motion, which carried unanimously. (See Order No. 07-64)

Chair Cutler called on Riverside Casino. Joe Massa, General Manager, presented the following contracts for Commission approval:

- Expedition Film Partners, LLC – Gaming Related Reality TV Series Joint Venture
- Professional Golfers' Association of America-Iowa – Lease w/Option to Extend
- WMS Gaming, Inc. – Lease Agreement for Slot Machines
- IGT – Lease Agreement for Slot Machines
- US Bank – ATM Agreement
- Department of VA Hospital & Iowa Section of the PGA – Golf for Veterans

Chair Cutler asked if there was a cost to the facility relating to the ATM machines. Mr. Massa answered in the negative, noting the bank installs the machines and the facility receives a percentage.

Mr. Massa addressed the contract with the Professional Golfers' Association of America (PGA) – Iowa Division to locate their office at the Riverside golf course. They will be moving into those offices in September. As an outgrowth of the above relationship, Riverside has partnered with the Iowa section of the PGA and the Veteran's Hospital in Iowa City to develop a program to provide a golfing opportunity for injured veterans. This program is the first of its kind in the country, and VA is looking at this opportunity as a seed project, and hopes to eventually take the program nationwide. Mr. Massa indicated the three organizations are developing a foundation called "GIVE" to raise funds for the program so there will be no cost to the veteran. He indicated the golf course's opening on August 1<sup>st</sup> will be a charity golf event in which they hope to raise in excess of \$50,000 to give to the foundation.

Hearing no further comments or questions, Chair Cutler requested a motion. Commissioner Bair moved to approve the contracts as submitted by Riverside. Commissioner Urban seconded the motion, which carried unanimously. (See Order No. 07-65)

Commissioner Bair asked if the golf course was ready to go. Mr. Massa advised the course looked great, and would be interesting to play. He indicated the course has the longest yardage of any golf course in Iowa, as well as the longest hole at approximately 690 yards. He noted the Iowa Gaming Association is holding a golfing event the day before the August Commission meeting.

Chair Cutler asked Mr. Massa if he expected any big name golfers to play the course. Mr. Massa indicated that would eventually happen. He noted the course was just rated, and there needs to be a little maturity in the operation; however, he feels that will happen since the course was designed by Reese Jones.

Chair Cutler called on IOC Waterloo. Kim Hardy, General Manager, presented the following contracts for Commission approval:

- Certegy Gaming Services – Projected Commission Revenues from Financial Services
- Yum! Brands Express – Franchise for Kentucky Fried Chicken and Pizza Hut Express

Hearing no comments or questions concerning the contracts, Chair Cutler requested a motion. Commissioner Seyfer moved to approve the contracts as submitted by IOC Waterloo. Commissioner Hamilton seconded the motion, which carried unanimously. (See Order No. 07-66)

Mr. Hardy advised that the state testing of the gaming equipment and the opening went very well. He indicated the initial numbers are on target with the projections.

Chair Cutler called on Catfish Bend Casinos (CBC). Gary Hoyer, Chief Financial Officer, presented the following contracts for Commission approval:

- Huckleberry Entertainment, LLC – Amended Casino Lease Agreement
- Cintas Uniforms – Employee Uniforms
- Morgan Stanley – Financing

Two of the above contracts have previously been approved by the Commission, but were re-submitted to provide new information. The contract with Huckleberry contains a change in the insurance provisions. There has been a slight change in the structure of the financing with Morgan Stanley, as well as an increase in the amount from \$94.8 million to \$99.8 million.

Mr. Ketterer asked Mr. Hoyer to explain the need for the financing increase and the insurance provisions.

Mr. Hoyer advised that after the lease had been approved, CBC became aware that they could save a substantial amount of money by having one entity do more of the insurance on the property than by adding it into the canned charges. He indicated the facility saw a net savings on a triple lease arrangement.

With regard to the financing, Mr. Hoyer stated that the construction costs were more than anticipated, both in soft costs and construction costs. Original costs were estimated between \$26-27 million; however, when the project was completed, the cost was around \$27 million. Soft costs were also approximately \$500,000 higher than anticipated; thus, the need for additional funds when closing on the loan.

Hearing no further comments or questions, Chair Cutler requested a motion. Commissioner Seyfer moved to approve the contracts as submitted by CBC. Commissioner Urban seconded the motion, which carried unanimously. (See Order No. 07-67)

Mr. Hoyer advised that the casino facility in Burlington opened on June 11<sup>th</sup> at noon. The grand opening will be held on July 26<sup>th</sup>.

Chair Cutler called on Horseshoe Casino/Bluffs Run Greyhound Park (HSC/BRGP). Mr. Silberling presented the following contracts for Commission approval:

- Iowa West Racing Association – Request for Approval of Amendment to Management Agreement, Amendment to Memorandum of Management Agreement, Amendment to Lease and Amendment to Memorandum of lease between Harveys BR Management Company, Inc. and Iowa West Racing Association
- Request Approval for Change in Racing Dates

Jeannie Magdefrau, Director of Finance, addressed the amendments to the various agreements, which remove the footprint of the anticipated hotel from the Management Agreement and Lease.

Chair Cutler called for a motion concerning the first item. Commissioner Hamilton moved to approve the changes to the Amendment to the Management Agreement, Amendment to Memorandum of Management Agreement, Amendment to Lease and Amendment to Memorandum of Lease between Harveys BR Management Company, Inc. and Iowa West Racing Association. Commissioner Seyfer seconded the motion, which carried unanimously. (See Order No. 07-68)

Mr. Silberling addressed HSC/BRGP's request for a change in race dates from September 20-23 to December 28-31, 2007 to allow HSC/BRGP to hold a concert on the infield on

September 22, 2007. This request does not change the number of race days previously approved by the Commission, nor does it negatively impact the purses earned by the greyhounds. He noted the handle for the same time period last year was higher for the December dates now requested for live racing than the September dates. Mr. Silberling advised it is their understanding there is no objection to the change in race dates per se from the Iowa Greyhound Association (IGA); however, they do have some objections to the stated purpose for the change.

Mr. Silberling stated that HSC/BRGP was very excited about this possibility, noting that Harrah's has increased the number of concert dates from 20-something to 30-something in a venue with a capacity of approximately 3,000, which is constrained by capacity limits and one road for ingress/egress from the facility. Harrah's believes the concerts have been beneficial to the community and is looking for ways to bring in bigger acts and bring a benefit to HSC/BRGP. Mr. Silberling noted that other racetrack facilities have hosted successful concerts.

Mr. Silberling conceded that the IGA raised legitimate concerns. Mr. Silberling stated that the safety of the dogs is paramount in all of the planning. IGA has also raised the issue of debris on the track. He stated that HSC/BRGP has attempted to detail and address the issues raised by the IGA in a comprehensive, methodical way. Mr. Silberling advised there will be an elevated track to the infield, with a tarp below the walkway on each side, to prevent items from being thrown on the track. Additionally, they are installing a barrier similar to a snow fence a distance in on the interior of the track to prevent items from landing on the track once patrons are on the infield. There will be a drink menu that will include draft beer which will be poured into cups to eliminate cans, can tops or bottle lids.

The IGA also raised concerns about the integrity of the kennel compound. Mr. Silberling advised that at this time, the compound is patrolled on an hourly basis; some obstructions have been removed from the vicinity, and they are in the process of increasing lighting and have changed the zoom cameras to increase coverage of the area. During the time frame of the concert, security guards would be posted between the track and the kennel compound. He noted there is already a fence and barbed wire in the area. There would be no access through the kennel during set up. Concern was also expressed about the integrity of the lure rail. Mr. Silberling advised there would be no breach of the integrity of the lure rail. He indicated that all loading in/out of the stage, equipment and concessions would be via a bridge that would be built over the rail. For the inside fence, there will be a few more access areas and a moveable pole, similar to that used to give access to the mower to the infield. Mr. Silberling reiterated there would be no need to enter the kennel compound during set up as the concessions would be brought in via the northeast corner. He indicated there would be nothing heavier than the current watering truck going across the track. Mr. Silberling indicated that if it became necessary, HSC/BRGP would place a covering over the track to help more evenly distribute the weight to prevent damage to the track.

Mr. Silberling indicated patrons will enter the infield through the grandstand area. There will be no walking on the track.

Mr. Silberling stated that the stage is being set up so that it faces away from the greyhounds and kennels. The concert would take place between 8:00 – 10:30 PM. It is his understanding that the dogs are normally back in the kennels by 8:00 PM, and the show would be over by 10:30 PM. The proposed concert would affect schooling – the Friday schooling would be moved to Thursday, with the track back in full operation for Tuesday. The sprint path would remain available for sprinting of the dogs. Management is aware the above is a scheduling change and would require some compromise. They hope some of the benefits, such as bringing 9,000 people to the track and giving them exposure to the track, would help justify the necessary compromises. Mr. Silberling noted that Harrah's is not able to accommodate 9,000 people in their concert venue and get people in and out on the one road.

Harrah's is seeking to improve the entertainment offerings at Bluffs Run and add heightened awareness of greyhound racing. Mr. Silberling indicated there have been discussions as to what could be placed on the back of the ticket, such as offering an opportunity to return for greyhound racing or including a link at the ticketing site to the Bluffs Run web site. They are also open to other ideas and options to make sure that the concert supports and creates greater awareness of the greyhound track. The benefits of holding the concert on the infield at Bluffs Run are the size of the infield, the accessibility of the facility, increased awareness of greyhound racing, and the marketing. Mr. Silberling stated there is no way to absolutely guarantee that nothing will go wrong; however, the integrity of the track, the safety of the dogs, and the safety of the patrons is foremost in their minds. They believe the risk is manageable, and that there is the real potential to continue to have greater entertainment opportunities in Council Bluffs, possibly additional tax revenue for the state, and the exposure and cooperative marketing of the greyhounds. Mr. Silberling requested approval of the requested change in race dates to facilitate the staging of the concert.

Commissioner Bair asked what the concert goers would sit on. Mr. Silberling advised they would bring their own lawn chairs or blankets. For those paying a little more per ticket or VIP patrons, there would be seating available. Commissioner Bair asked about restroom facilities. Mr. Silberling advised that portable facilities would be brought in, via the northeast side. Commissioner Bair asked if everything would be located on the infield. Mr. Silberling indicated that was correct.

Commissioner Cutler asked if this was the first time Harrah's had presented such a request to the Commission, as it sounds as if some permanent changes are being made to the facility in anticipation of additional concerts at Bluffs Run. Mr. Silberling stated that if this concert went well, they would hope that the IGA, the facility, the community and state would be pleased with the outcome then they would be looking for ways to replicate the concert without violating the integrity of the racing season.



Chair Cutler asked if a rain date has been established. Mr. Silberling answered in the negative, noting they normally purchase rain insurance. Chair Cutler again asked if the concert would be rescheduled if it rained. Mr. Silberling indicated that it would not.

Commissioner Hamilton asked the projected costs to make the necessary changes and then return the track to its normal state. Mr. Silberling stated the costs are still being determined as the planning stage continues.

Commissioner Urban asked about the age group being targeted for the concert. Mr. Silberling advised that no one under 21 would be allowed; but noted that the act selected for the concert would have some impact on the age of the concert goer. They are looking at acts that would appeal to individuals in their 30s and 40s versus acts that draw a younger crowd.

Mr. Ketterer referred to the recent approval of the \$85 million expansion for the new casino. He noted that if these kinds of events had been anticipated, an amphitheater could have been included in the plans as there is sufficient ground available. Under the expansion project, it appears the Roadhouse was established as the venue for the facility for these types of events. Noting that the expansion was done prior to Mr. Silberling's arrival at the property, he questioned why a suitable venue for concerts was not included in the construction/renovation of the building. Mr. Silberling noted that the majority of his casino career has been with Harrah's, and their casinos seem to be constantly morphing, which is usually done with capital programs like the proposed hotel project and different marketing programs. He stated that one of the things he does is look at utilization of space, and whether it is being utilized 24 hours a day, seven days a week, and if there is an opportunity to drive the amount of revenue per square foot. Mr. Silberling indicated there are a couple of things driving this request: the success of entertainment at Harrah's, his review of space utilization, and the constant morphing state of the casino industry.

Commissioner Urban addressed the noise factor, noting how she feels at a concert. She noted that even though the stage will be set up facing away from the kennel compound, she believes the noise would still be a factor for the greyhounds. Mr. Silberling noted that while the noise level would be higher than normal, it would be minimized with the proposed set up. He reiterated management's concern for the greyhounds' safety. He does not believe the noise level will be medically damaging to the greyhounds.

Commissioner Hamilton noted that with some acts, even the ground can shake, buildings vibrate, etc. Mr. Silberling stated that he did not know how to have a scientific discussion on that issue, but reiterated his belief that the concert would not be medically harmful to the greyhounds.

Commissioner Bair asked if the MidAmerica Center was designed to hold concerts. Ms. Silberling answered in the affirmative, noting that Harrah's/Horseshoe has co-sponsored concerts at that venue, continue to encourage them to do more, and are willing to help

them do so. Commissioner Bair asked the capacity of the MidAmerica Center. Mr. Silberling indicated that it would hold approximately 10,000. He stated that Harrah's has wanted to do more with them in partnership than they have. He indicated that the track would be a new and different venue, and that the proximity to the property is beneficial to the facility. He noted that while the MidAmerica Center is close to the property, it is not as close as the track. Mr. Silberling indicated his belief that there is an upside to spending some time thinking about how the greyhound races can be marketed and promoted via the concert.

Chair Cutler called on Jerry Crawford, representing the IGA. Mr. Crawford stated that Mr. Silberling had given a very fair presentation of the remedies HSC/BRGP has attempted to anticipate, and the Commission asked many of the same questions the IGA asked. He advised that the IGA Board of Directors met the previous two days to discuss this issue; however, they have not been able to get comfortable with the situation and have voted unanimously to oppose this request for the following reasons:

- Noise: The stage will be adjacent to the kennels. Mr. Crawford stated that he agreed the noise level will be comparatively less with the stage facing away from the kennel than at the other end facing the kennels. He noted that greyhound tracks are dramatically smaller in size than horse tracks. Mr. Crawford asked the Commissioners to consider what happens in an average house with a dog when a car drives down the street or a squirrel runs through the yard and then multiply that by a rock concert adjacent to the kennel buildings, along with 9,000 patrons who will be served alcohol. He advised that the IGA members have a legitimate animal welfare concern.
- Track Surface: Mr. Crawford stated that HSC/BRGP has done a good job of trying to anticipate issues; however, it only takes the smallest amount of debris to cause an injury, which can often be fatal, to a greyhound. He also expressed concern about construction of the bridge for patrons to cross over into the infield, as well as the equipment necessary to set the concession stands and portable restroom facilities. Mr. Crawford concurred that the lure rail is fragile, and indicated he was happy to hear about the snow fence.
- Security: Mr. Crawford noted HSC/BRGP has a tremendous amount of security in the kennel compound currently because of state rules and statute. He pointed out that an individual recently got into the kennel compound, stole a truck and drove through a fence in order to get away. He again indicated that animal welfare is compromised from a racing standpoint.
- Racing: The trainers use the racetrack surface everyday for sprinting; the sprint path is not sufficient for training the racing greyhounds. Mr. Crawford stated the track is utilized almost seven days a week as the primary area for sprinting, not as a backup. It is his understanding that the track would be closed completely for a four-day period of time.

- Partners: Mr. Crawford noted that the track and the IGA are partners in a way, and applaud creativity and marketing of the greyhound industry; however, the IGA has not been able to see the urgency in this particular request. He pointed that no act has been booked or selected at this point in time, which leads the IGA to look at this request as a precedent-setting event rather than a special event. Mr. Crawford advised that the track in Las Vegas holds these types of events on a routine basis, with the stage being set up in the parking lot. He noted there is a parking lot immediately north of the greyhound track where a temporary stage could be set up for an outdoor venue, or go to the MidAmerica Center, which was built for these types of events and has the ability to accommodate the same number of patrons.

Mr. Crawford stated that for all of the above reasons, the IGA has had a difficult time from an animal safety standpoint recommending approval of this request when comparing the benefits to the risks.

Hearing no comments or questions for Mr. Crawford, Chair Cutler requested a motion regarding the requested change in racing dates. As no motion was made, the request for a change in race dates was denied.

Chair Cutler called on Dubuque Greyhound Park & Casino (DGP&C). Bruce Wentworth, General Manager, presented a contract with Assurant Benefits for Short and Long Term Disability and Group Life Insurance.

Mr. Wentworth advised that Dubuque has been named one of ten All American Cities in the country.

Hearing no comments or questions concerning the contract, Chair Cutler requested a motion. Commissioner Hamilton moved to approve the contract as submitted by DGP&C. Commissioner Urban seconded the motion, which carried unanimously. (See Order No. 07-69)

Commissioner Bair inquired about the All American City designation. Mr. Wentworth advised that the Dubuque Racing Association (DRA) was involved in the effort to obtain the designation, and a group of community citizens traveled to California to compete in the competition. He noted thirty communities were among the finalists, with several hundred not making the cut. Mr. Wentworth noted that while Dubuque has competed several times, this is the first time they have been named.

Chair Cutler called on the Iowa Harness Horsemen's Association (IHHA). Royal Roland, President of IHHA, noted that he had raised issues at the last meeting concerning funding for the county fair races, and issues regarding Prairie Meadows Racetrack & Casino (PMR&C) and the IHHA regarding receipt of the funds. Mr. Roland reported that last Thursday the IHHA, through intermediary associations, received approximately 75% of the committed funding for the county fair races around the state. The process of

meeting the requirements involved negotiations with five different non-profit entities that met PMR&C's standards to comply with Commission and IRS rules. Mr. Roland indicated a plan is in process to obtain the balance of the funds through an organization that meets all of the requirements. Mr. Roland noted that while process took longer than the IHHA would like, and caused considerable turmoil and uncertainty for the Association, no races were cancelled or scheduled races changed.

Mr. Roland noted that the harness racing season is approaching at PMR&C. He pointed out that the relationship between PMR&C and the Association has not been cordial; there is continual friction and conflict. He advised that Rick Mishler, an IHHA Board member, wished to address the Commission concerning the standardbred industry in Iowa as they perceive it.

Mr. Mishler, an owner, breeder, trainer and driver of standardbred horses in Iowa, stated that he has noticed an alarming trend in the standardbred industry over the last few years. He indicated that the trend at PMR&C has been to decrease their commitment to the harness racing industry – less money for fair purses, less racing days at PMR&C, and PMR&C's persistent attitude to not work in good faith with the standardbred owners of Iowa.

Mr. Mishler pointed out that over the years the Legislature has given PMR&C favorable legislation to foster and promote the Iowa racehorse industry. Somewhere along the line, the Board and management of PMR&C have lost sight of their responsibilities to the racehorse industry and have concentrated on expanding the casino and filling the coffers of Polk County projects. The Legislature has given PMR&C the only horse race track in Iowa, and bailed out Polk County by allowing slot machines at the track. Mr. Mishler stated that it is his understanding that the Code of Iowa specifically directs PMR&C to nurture, promote, develop, and improve the racing industry in Iowa. He asked how the decrease in funding, race days and not having a timely written contract complies with the directives set forth in the Code. Mr. Mishler noted that for the last several years, the harness association has not had a written contract in a timely manner to allow the membership to plan or have a business plan for their operations. The Association use to have three-year contracts, now they are presented with a take it or leave it offer five minutes prior to the Commission meeting in November. Mr. Mishler asked the Commission to become more involved in these matters to develop a race horse industry that Iowans can be proud of, which means more money for county fair races, additional race dates at PMR&C and a multi-year agreement between the horsemen & PRM&C that will nurture, promote, develop and improve the racing industry in Iowa.

Hearing no comments or questions for Mr. Mishler, Chair Cutler called on PMR&C regarding their request for the season approvals for the upcoming harness meet. Gary Palmer and Derron Heldt, General Manager and Director of Racing respectively, were present to answer any questions concerning the submission.

Commissioner Urban, noting the Commission had toured the facility the evening before, thanked Mr. Palmer for the tour, indicating that it was valuable to the Commission members.

Mr. Heldt advised the Commission that the season approval submission does not include a contract with the IHHA.

Chair Cutler called on Mr. Ketterer for comments. Mr. Ketterer, noting the Commission had just heard the IHHA's concerns regarding PMR&C's efforts to negotiate a contract, asked for rebuttal.

Mr. Heldt stated there are four additional days of racing at PMR&C this year compared to last year, 18 versus 14. Funding last year at PMR&C was \$630,000, and has increased to \$800,000 this year. He indicated he has e-mails showing that PMR&C started negotiations with IHHA at the end of May. Mr. Heldt stated that an e-mail was sent to Mr. Roland on June 18<sup>th</sup>, and PMR&C has not received a response. He pointed out that additional e-mails were sent on June 22<sup>nd</sup> and July 4<sup>th</sup>. Mr. Heldt conceded the IHHA's top priority at that time was to get the funding from PMR&C to fund the county fair races.

Mr. Heldt noted there were additional issues raised at a meeting in May, and stated PMR&C is open to conversation. Mr. Heldt stated that Chad Keller, PMR&C's Racing Secretary, set forth some of PMR&C's concerns such as start times, racing dates, stakes races, etc. He noted that PMR&C's concerns centered on business matters. Mr. Heldt advised that the IHHA indicated a desire to start a new sire stakes race program this year. PMR&C feels it would be better to hold discussions during the upcoming meet to establish parameters, so the IHHA can put it before their membership early next year in order to have the race in place for 2008. Mr. Heldt reiterated that PMR&C is willing to do what is necessary and is open to suggestions.

Commissioner Hamilton asked for rebuttal from the IHHA. Mr. Roland stated that the discussions with Mr. Heldt and Mr. Keller have been very cordial, even though they have not been successful. Each side has been able to express their thoughts and concerns.

Mr. Roland stated that while Mr. Heldt's statement concerning funding for purses at PMR&C was true, and purses are increasing by approximately \$150,000, the funding for the county fair races was decreased by \$300,000, meaning the overall total funding will be less in 2007 than in 2004, 2005 or 2006. He agreed that there are four additional days of racing at PMR&C in 2007, but that is still less than in 2001, 2002 and 2003 when there were 20 days of harness racing at PMR&C.

Mr. Roland advised that the biggest point of dispute in the contract negotiations has to do with additional racing opportunities for people that own Iowa horses in light of the decreased funding. The IHHA Board tried to encourage PMR&C to present racing opportunities at PMR&C that were expanded for Iowa registered sired horses to mitigate

the \$150,000 reduction by increasing the amount of purse money won at PMR&C by Iowa sired horses. This proposal was presented to PMR&C in January. Mr. Roland noted that Iowa Code specifies races for horses that are foaled in Iowa, but there is a subset of horses that are Iowa sired, and under the current racing program there are no special races for these horses. Noting that there are thoroughbred and quarter horse sired stakes races, the IHHA suggested adopting such a race for harness racing as a way for Iowa sired horses to have a greater earning potential.

Commissioner Hamilton stated it was her understanding the Commission has no authority to force PMR&C to commit funds for purses at the county fair races. Mr. Ketterer advised that was correct. Commissioner Hamilton asked if the IHHA could request funding through the grant program. Mr. Ketterer advised that is what the IHHA is currently doing.

Chair Cutler asked Mr. Roland if the IHHA was opposed to the Commission granting PMR&C's request for season approvals as presented. Mr. Roland requested continued negotiation regarding a contract, and the support of additional racing opportunities for Iowa sired horses at PMR&C this fall.

Commissioner Hamilton expressed her desire to see a multi-year contract so that it would be easier for everyone to make plans. Mr. Roland and Mr. Palmer concurred.

Chair Cutler asked if there would be continued discussions between PMR&C and the IHHA concerning the Iowa sired stakes races. Mr. Heldt reiterated his earlier statement that it was PMR&C's goal to sit down with the horsemen while they were at the track this fall to establish parameters for the sired stakes races to occur in 2008. Mr. Roland stated that the point of contention is that the IHHA wanted these races to start in 2007, not 2008. Commissioner Hamilton made the suggestion that someone take notes at the meetings between the parties and submit them to the Commission so the Commission could read what was said and agreed to by the parties without so much time spent on discussions at the Commission meetings. Mr. Palmer indicated PMR&C would do so.

Hearing no further discussion concerning the season approval request, Chair Cutler requested a motion. Commissioner Hamilton moved to approve the season approval request for the harness meet at PMR&C as submitted, including the following staff recommendations:

- The immediate written notification of any change in racing official positions.
- The completion of necessary DCI backgrounds.
- Continuation of all import/export simulcast contracts being reviewed and approved by IRGC staff.
- Prior notification of any schedule changes: race days, post times or the number of races.

Commissioner Urban seconded the motion, which carried unanimously. (See Order No. 07-70)

Chair Cutler moved to the additional contracts submitted by PMR&C. Mr. Palmer presented the following contracts for Commission approval:

- A to Z Enterprises – Concert Sound and Lighting Services
- Aristocrat Technologies, Inc. – Leasing of Various Slot Games
- Aristocrat Technologies, Inc. – Leasing of Various Slot Games
- Atlantic City Coin & Slot Service – Leasing of Various Slot Games
- Atronic Americas LLC – Leasing of Various Slot Games
- Atronic Americas LLC – Purchase of Various Slot Games
- IGT – Leasing of Various Slot Games
- IGT – Purchase of Various Slot Games
- Kahler & Company – Purchase of Clothing, Gift Shop and Promotional Merchandise
- Konami Gaming, Inc. – Leasing of Various Slot Games
- Konami Gaming, Inc. – Purchase of Various Slot Games
- Spielo Manufacturing Incorporated – Purchase of Various Slot Games
- US Playing Card – Purchase of Playing Cards
- WMS Gaming, Inc. – Leasing of Various Slot Games
- WMS Gaming, Inc. – Purchase of Various Slot Games

Hearing no discussion concerning the contracts, Chair Cutler requested a motion. Commissioner Seyfer moved to approve the contracts as submitted by PRM&C. Commissioner Urban seconded the motion, which carried unanimously. (See Order No. 07-71)

Chair Cutler moved to the hearings before the Commission for violations of Iowa Code Sections 99F.9(5) for underage gamblers and 99F.4(22) regarding money won by individuals who have banned themselves from the casino.

Mr. Ketterer advised that all of the hearings have been resolved by Stipulated Agreement, and provided a brief summary of each incident.

The first violation occurred at IOC Bettendorf where two minor females were stopped at the entrance, asked to present identification, and subsequently turned away. A few hours later, they again approached the entrance and were not challenged when they tried to enter the facility. They were on the casino floor for approximately one hour during which time they did gamble. They were later discovered by security and DCI, and were determined to be underage minors.

The next violation before the Commission occurred at PMR&C where a minor male and four adult companions gained entrance to the casino through the main entrance past

posted security guards who failed to request any identification. The minor was on the casino floor for approximately an hour during which time he gambled on several machines. A security guard on the floor finally asked to see some identification.

The final violation before the Commission occurred at Catfish Bend Casino (CBC) where an individual who entered the statewide self-exclusion program by completing the form in November 2005 gained entrance to the casino. On January 30<sup>th</sup>, he went to CBC, approached the Players' Club window, and presented his driver's license to the cashier who entered his information into the system. The cashier gave him a promotional scratch ticket and a duplicate Player's Club card. The individual then played table games for approximately 3½ hours. When he went to cash out, the cashier recognized him, and it was discovered that the individual had two Player's Club cards under the same account and same name. One account was flagged as barred and the other was not. The individual won a total of \$50, which will be sent to the Iowa Gamblers Treatment Program.

Mr. Ketterer advised that each Stipulated Agreement calls for an administrative penalty of \$20,000, and recommended approval of the agreements. He indicated that if any of the general managers from the facilities wished to address the Commission they could do so at this time.

Mr. Hyder stated that IOC Bettendorf considers the circumstances leading up to the deliberate and multiple attempts by the minors, which were eventually successful, very unfortunate and corrective action has been taken under their zero tolerance policy. Mr. Hyder indicated that IOC Bettendorf continue to take this issue seriously.

Hearing no further comments or questions, Chair Cutler requested a motion. Commissioner Bair moved to approve all three Stipulated Agreements as presented to the Commission. Commissioner Urban seconded the motion, which carried unanimously. (See Order No. 07-72)

Chair Cutler moved to the approval of the Dog Racing Promotion Fund as authorized by Iowa Code Section 99D.12(2)C. Mr. Ketterer advised that the Commissioner's meeting materials contained a staff recommendation and a list of contingencies, which have been included in previous awards. He recommended that the Iowa Greyhound Association be approved as the recipient of the 2007 Dog Racing Promotion Fund.

Hearing no questions or comments, Chair Cutler requested a motion. Commissioner Seyfer moved to approve the Iowa Greyhound Association as the recipient of the 2008 Dog Racing Promotion Fund, including the following contingencies:

1. The recipient shall provide an evaluation of the agreement(s) with, and performance by, the investment manager annually and consider soliciting and evaluating new proposals if they are under performing. This evaluation should be provided in an annual audit of the Escrow Account(s) by an independent audit



- company. The audit should cover activity from January 1, 2007 through December 31, 2007, and be submitted to the Iowa Racing and Gaming Commission by April 1, 2008.
2. The cost of the annual audit of the Escrow Account(s) shall be paid from the Escrow Account Fund(s).
  3. Investment agreements should be for one-year terms subject to renewal conditions approved by the Commission. Provide a report on the status of the investment agreements.
  4. Requests for proposals and all other correspondence should include a copy to IRGC and IWRA.
  5. The recipient shall disclose any potential related parties to the Commission.
  6. Investment funds shall not be withdrawn from the account(s) until the Commission has approved contracts or expenses. If events occur which no longer require expenditure of funds, the funds will be immediately returned to the Escrow Account(s) and not deposited in any other account(s).
  7. The recipient shall have and maintain written minutes of all meetings and include copies to the IRGC and IWRA.
  8. In the event of arbitration, the recipient shall ensure availability to the arbitration committee so that decisions are provided to the Commission by November 1, 2006. [N/A]

Commissioner Hamilton seconded the motion, which carried unanimously. (See Order No. 07-73)

Chair Cutler moved to Administrative Business, and called on Mr. Ketterer. He advised that during the last Commission meeting the Committee Report concerning sanctions against licensees for allowing individuals on the voluntary statewide self-exclusion list to gamble included provision granting a 60-day grace period from the point when a individual was entered into the database for the facility to clear any check cashing database, Player's Club database and any direct mailing databases. Mr. Ketterer stated the licensees have expressed concerns that mail houses would not be able meet the 60-day requirement, and requested the grace period be extended to 100 days for direct mail only. He asked if the change was acceptable to the committee and the Commission as a whole.

Commissioner Seyfer stated that topic had been discussed by the committee, but they did not know what the time frame might be for clearing the database. He indicated that he did not have a problem increasing the grace period to 100 days for direct mailings. Commissioner Bair also concurred. No motion was necessary as this was not an agenda item; Mr. Ketterer indicated he was trying to get some direction from the Commission on the issue.

As there was no Public Comment, Chair Cutler requested a motion to adjourn. Commissioner Bair so moved. Commissioner Urban seconded the motion, which carried unanimously.

MINUTES TAKEN BY:

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JULIE D. HERRICK